

SUBCOMMITTEE NO. 2

Agenda

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Upon adjournment of session
Room 112

<u>Item</u>	<u>Department</u>	<u>Page</u>
Part II—Resources/Environmental Protection Agenda		2
0555 Secretary for Environmental Protection		2
3540 Department of Forestry and Fire Protection		3
3600 Department of Fish and Game		4
3640 Wildlife Conservation Board		4
3810 Santa Monica Mountains Conservancy		5
3870 California Bay-Delta Authority		5

Resources—Environmental Protection—Public Safety—Energy

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Part II—Resources/Environmental Protection Agenda

0555 Secretary for Environmental Protection

1. Climate Change Activities

Background. In the past two decades, the California Legislature has enacted several key laws requiring inventories, assessments, and regulation of greenhouse gas emissions. Most of these bills were the first of their kind in the nation. Key legislation includes:

- **Chapter 1051, Statutes of 1988 (AB 4420, Sher)**—Required the California Energy Commission (CEC) to conduct, and periodically update, an inventory of greenhouse gas emissions from all sources in the state, and to establish and coordinate climate change impact analyses among state government agencies.
- **Chapter 1018 Statutes of 2000 (SB 1771, Sher)**—Established the Climate Action Registry as a non-profit corporation, directed it to undertake various activities to provide certification for voluntary greenhouse gas emission reductions undertaken by industry.
- **Chapter 200 Statutes of 2002 (AB 1493, Pavley)**—Required the state Air Resources Board (ARB) to establish greenhouse gas emission reduction standards for vehicular sources and to grant credits for those emission reductions under the Climate Action Registry.

As these laws and programs have been enacted, the lines of jurisdiction, and budgeting, for climate change programs has grown increasingly complex. Moreover, the ability of the Legislature to oversee these politically sensitive programs has become increasingly difficult given the multiplicity of agencies involved in climate change activities.

Staff Recommendation. Staff recommends that the committee staff, the LAO, and other parties be directed to develop trailer bill language to clarify and streamline authority over climate change activities in state government, and to ensure direct legislative involvement in these important and sensitive programs. The trailer bill should include the following items:

- Specify that CAL-EPA (which houses agencies with regulatory jurisdiction over vehicular and stationary sources of air pollution and which has lead responsibility for implementation of the Pavley measure) should be the lead agency for such activities.
- Specify that the climate change task force include relevant Cal-EPA agencies.
- Specify that the Climate Action Registry has one appointment each from the Speaker of the Assembly and the Senate Committee on Rules.

3540 Department of Forestry and Fire Protection

1. Capital Outlay

Previous Subcommittee Action. At the May 19 meeting of the Subcommittee action was taken to approve the Department of Forestry and Fire Protection's (CDF's) capital outlay budget.

LAO Issues. The LAO raised concerns about the state covering more than its fair share of costs with regards to the capital projected listed below. This facility is a jointly used facility with the federal government. Originally the federal government was going to contribute property as their monetary contribution to this project. However, CDF indicates that the federal government was not able to secure property for this project. At this time the federal government has not provided any additional contribution for their share of the project.

Department of Forestry and Fire Protection

Capital Outlay, 2004-05

(Dollars in Thousands)

Description	General Fund	Lease Revenue Bonds	Reimbursements	Budget Total	Reappropriations
South Operations Area Headquarters. Relocate facility. Proposal to fund land acquisition, working drawings, and construction costs. This is a joint project with the U.S. Forest Service and reimbursements are expected from the federal government to fund this project.	-	3,062	1,709	4,771	-

Staff Recommendation. Staff recommends approving the budget bill language that follows that addresses LAO's concerns.

3540-301-0890

Provision X. Notwithstanding Government Code section 13332.11, the State Public Works Board shall not augment the amount provided for the South Operations Area Headquarters: Relocate Facility project, as set forth in Schedule (X) of this Item, in order to replace federal funds that are identified in Item 3540-301-0890, Budget Act of 2004. If an authorized federal entity determines that the funds identified in Item 3540-301-0890, Budget Act of 2004, are only available as payments over time, the State Public Works Board may authorize an increase in Item 3540-301-0660, Schedule (X), Budget Act of 2004, by the amount necessary to cover the federal governments' share of the project only after the appropriate federal entity enters into a signed agreement to completely reimburse the State of California for the increased lease payments attributed to the federal share of the project over a specified period of time. The term of the federal payments shall not exceed the term of the bonds and the agreement shall be subject to State Public Works Board approval.

3600 Department of Fish and Game

1. Incidental Take Permit Fees

Summary. The Department of Fish and Game (DFG) issues incidental take permits to entities with projects that may impact endangered species. Some of the entities that must receive these permits include developers, power companies, and oil companies. These entities derive a benefit from receiving these permits since they allow projects to progress in a way that seeks to minimize the impacts on endangered species. However, at present the state General Fund supports the activities related to developing and enforcing incidental take permits.

At several of the meetings of the Subcommittee, the DFG's General Fund budget reductions were discussed. The budget reductions have required the department to slow and in some cases eliminate some work that is required to carry out current law. In order to assure that current law is carried out additional funding is needed to support DFG. One option for funding this program is to require the department to assess fees on entities wishing to obtain an incidental permit fee. This would provide a more consistent source of revenue for these activities and would provide more certainty to entities seeking the permits that staff would be available to process their permits.

Staff Recommendation. The Subcommittee may wish to adopt trailer bill language to allow the department to assess fees on incidental take permits.

3640 Wildlife Conservation Board

1. Tidelands Oil Revenues

Previous Subcommittee Action. During yesterday's budget hearing, the subcommittee approved a "cap" to the amount of tidelands oil revenues that would be transferred to the General Fund through suspension of Section 6217 of the Public Resources Code (PRC) in the budget year. The intent of the Subcommittee was to cap the amount that could be transferred to the General Fund at the amount assumed in the May Revision less \$500,000. The staff recommendation was to cap the transfer to \$156.4 million, but the Department of Finance disputed this figure and advised the committee that the correct amount should be \$174.2 million.

Revised Estimate. Subsequently, the State Lands Commission has advised staff that the correct amount of tidelands oil revenues assumed for transfer to the General Fund in the Governor's Budget is \$165.5 million.

Additional Tidelands Oil Revenues Expected. Staff understand that the May Revision estimate of tidelands oil revenues is based on a relatively conservative estimate of oil prices over the past year. Therefore, staff estimates that additional tidelands oil revenues (up to \$50 million) will be

available beyond what is assumed in the Governor's budget in 2004-05. Capping the General Fund transfer would allow tidelands oil revenues exceeding this amount to be deposited into the Resources Trust Fund and available for appropriation for the various purposes specified in PRC Sec. 6217 and SB 270 (Thompson, 1997).

Staff Recommendation. Staff recommends the Subcommittee:

- (1) Adopt the following budget bill language that clarifies the action taken yesterday to allocate the first \$500,000 to implement the Marine Life Protection Act and to cap the transfer of tidelands oil revenues to the General Fund at \$165 million.

3640-401--Notwithstanding any other provision of law, 1) the first \$500,000 shall be transferred into the Marine Life and Marine Reserve Management Account for activities of the Department of Fish and Game relating to the Marine Life Protection Act, and the next \$165,000,000 shall be deposited into the General Fund for the 2004-05 fiscal year.

- (2) Adopt additional budget bill language that directs the expenditure of additional tidelands oil revenues that may be received in the budget year. The language will provide for the following allocations:

- \$8 million – For salmon and steelhead trout restoration projects authorized by Section 6217.1 of the Public Resources Code, including, but not limited to, projects that implement the Coho Salmon Recovery Plan recently adopted by the Fish and Game Commission.
- \$4 million – To continue operation of the 4 state fish hatcheries located in various regions of the state that have been proposed for closure due to a lack of DFG funding.
- \$10 million for transfer to the California Ocean Protection Trust Fund for expenditure by the Ocean Protection Council for various projects authorized pursuant the proposed California Ocean Protection Act (PRC Section 35650).

3810 Santa Monica Mountains Conservancy

Previous Subcommittee Action. At yesterday's meeting the Subcommittee adopted budget bill language to attempt to address DOF's concerns regarding the SMMC's management of bond funds. However, the budget bill language did not require an audit of SMMC's operations.

Staff Recommendation. The Subcommittee may wish to adopt additional budget bill language that would ensure an audit is conducted of SMMC operations and that a subsequent report be made to the Legislature on findings and actions to address issues raised.

3870 California Bay-Delta Authority

Summary. Staff has been informed that some departments that are part of the CALFED program have not consulted with the Bay-Delta Authority (BDA) on criteria for awarding grants that may be part of the CALFED solution. The original intent that some bond funds allocated in Proposition 50 outside of Chapter 7 (the chapter dedicated exclusively to CALFED) would contribute to the CALFED solution. Without coordination with BDA progress in meeting many CALFED goals is delayed.

Staff Recommendation. The Subcommittee may wish to adopt the following trailer bill language to clarify the process for including BDA in the development of grants for projects that will contribute to CALFED objectives.

WC 79509.5 (a) Pursuant to section 79509, the California Bay Delta Authority shall determine whether or not projects are consistent with the CALFED Programmatic Record of Decision.

(b) Agencies responsible for financing projects that meet the conditions of

(c) shall present the following to the California Bay Delta Authority for evaluation and approval.

(1) Draft evaluation criteria.

(2) Proposed project awards.

(c) Projects subject to this section are those that meet either of the following criteria:

(1) The project is located within the CALFED solution area as defined in the CALFED Final Programmatic Environmental Impact Statement/Environmental Impact Report dated July 2000.

(2) The project wholly or partially assists in the fulfillment of one or more of the goals of the CALFED Bay-Delta Program.